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THE OUTLOOK FOR KOREA

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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on 7 September 1961. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations (Intelligence), Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, Joint Staff; the Assistant to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR KOREA

THE PROBLEM

To estimate the major trends and prospects in South Korea, with particular attention to the impact of North Korea on the south over the next two or three years.

CONCLUSIONS

1. In its push to unify Korea under Communist control, the North Korean regime will continue to depend primarily on subversive tactics and propaganda appealing to nationalistic sentiments and stressing the economic benefits of unification. Although these efforts have had little effect, the Communists probably believe their longer term prospects for a favorable response to its unification appeals are good and improving. In view of this and the automatic involvement of US forces in any resumption of hostilities in Korea, we believe the Communists are not likely to assume the grave risks of armed action against South Korea over the next several years. (*Paras. 12–25, 50–53*)

2. The greatest threat to South Korea, at least in the near term, comes from within South Korea. The country lacks a sense of national purpose and faces both tremendous economic problems and a brittle political situation. The military junta seeks to provide the drive and stability which was lacking in the previous civilian government but is subject to internal factionalism and lacks general public support in confronting these enormous problems. (*Paras. 28–38, 54*)

3. The prospect for South Korea over the next few years is therefore very cloudy and uncertain. US aid will probably succeed in preventing economic collapse. However, even under the most favorable circumstances, progress will be slow and South Korea will continue to require large-scale foreign aid for the indefinite future if it is to remain an independent nation allied with the West. (*Paras. 39–42, 55*)

4. The political situation is subject to sudden and rapid change. Much depends on future actions of the junta, in particular, on its capacity to establish a sense of forward momentum among the Korean people. If the overall situation in South Korea fails to improve significantly and the people lose hope for national progress, the continued enticements offered by the North Korean regime could lead to some movement in the south toward an accommodation with the north. (*Paras. 23–33, 56*)

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DISCUSSION

I. INTRODUCTION

5. The 1945 division of the Korean peninsula was made for the administrative convenience of US and Soviet occupation authorities and was not meant, by the US at least, to last beyond the period necessary to organize national elections. In the early years there was a fair degree of movement of persons and trade, but the administrative line at the 38th Parallel soon took on the character of a political division. This was largely owing to the initiative of the USSR in promptly consolidating the Communist position in the north and in refusing to join in holding national elections. On either side, indigenous regimes were set up, each claiming to represent all the Korean people. By mid-1949, all trade between north and south had ceased. The Korean War, and the armistice which followed, reinforced the partition. The demilitarized zone became the de facto boundary between two competing political systems.

6. The economic and political development of the two regions proceeded in widely different fashion. Under the guidance of its Soviet mentors, the regime set out to create a disciplined Communist state, based on the complete domination of the party over all aspects of national life. It was helped enormously in this effort by the advantage the north possessed in having obtained through the partition most of the country's heavy industry and mineral resources. Despite setbacks suffered during the Korean War, the regime has very largely succeeded in imposing its will on the Korean people in the north and in developing the economic potential of the area.

7. Through purges and reorganizations, Premier Kim Il-sung, with the aid of a number of Soviet-trained supporters, has attained virtually complete control of the Korean Labor (i.e., Communist) Party and the government. The so-called "Yenan clique," made up of Koreans who had been associated with Communist China before 1945, has been largely eliminated and the regime probably has no serious factional problems at present. The Korean Labor Party has expanded to the point that it now claims nearly one and a half million members (out of a population of 10 million). The strength of the party has enabled the regime to enforce strict controls and severe discipline on the North Korean people.

8. Both Kim and the government he heads are essentially the creation of the USSR,[1] and the USSR almost certainly continues to exert predominant influence on the North Korean regime. At the same time, however, there has been increasing competition from Communist China for influence in both the economic and ideological spheres, and North Korea is dependent in considerable degree on Peiping for military support and economic aid. Peiping and Moscow are in agreement, however, on the need to maintain and strengthen North Korea's position vis-a-vis South Korea.

9. The partition left South Korea with two-thirds of the agriculture, two-thirds of the people, and severe problems in establishing a viable economy. The loss of Japanese administrators, skills, and trade had a sharp impact on the economy of the south which was also forced to absorb large numbers of refugees. Syngman Rhee became President of the Republic of Korea in 1948 but, until he consolidated his control during the Korean War, his regime was too weak to cope realistically with

[1] Kim was a junior officer in the Soviet occupation army when he returned to Korea in mid-1945 after 20 years' absence. He still went by his real name of Kim Song-chu and was virtually unknown at that time. The Soviets assigned him to a minor post while they set about laying the groundwork for his emergence as a "national hero." This occurred in late 1945, when he was introduced to the Korean public at a liberation celebration in Pyongyang under his present alias, which was in fact the name of a renowned national hero of Korean resistance against the Japanese. Backed by the Soviets, Kim took over the Korean Communist Party from the local leaders. Upon establishment of the Democratic People's Republic in August 1948, he was placed at the head of the newly formed cabinet as Premier.

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the social and economic problems of the south. Moreover, his 33 years of exile had little prepared him for the task, and he was either unwilling or unable to impose the economic discipline South Korea needed to make most effective use of the aid coming from the US. Following the Korean War, the popular base of the Rhee government narrowed, corruption flourished, and public dissatisfaction with official fraud, repression, and lack of leadership grew.

10. The collapse of the Rhee government in April 1960 initiated the present period of political instability in South Korea. The Chang Myon government which followed Rhee had democratic instincts, but its political base was weak and its leadership timid and ineffectual. It failed to end excessive factionalism and politicking in the Assembly. Its record on reforms, and especially on measures against corruption, was extremely disappointing to those Koreans eager for changes that Rhee's downfall seemed to promise. Among these was a small group of disgruntled and ambitious military officers whose stated objectives were to bring discipline into Korean society and politics, honesty to government, and progress to the country. On 16 May 1961, this group executed a military coup d'etat with an efficiency and boldness seldom encountered in South Korea. Political leadership in South Korea passed to the military for the first time since the founding of the Republic. For the new military leadership, all the old economic and social problems remain. In addition, new situations affecting political development, public participation, and national freedoms have been created. At the same time, South Korea must continue to reckon with the threat from the north.

II. THE NORTH KOREAN IMPACT ON SOUTH KOREA

11. In the decade that has passed since the start of the Korean War, the government of North Korea has continued to maintain formidable military forces, but has placed increasing stress on propaganda and subversion as the weapons with which to bring about the collapse of authority in the south. The shattered North Korean economy has been rebuilt and the regime is seeking to make its industrial achievements known and envied by the people in the south. The political turmoil in South Korea over the past year and a half probably has given the North Korean leaders increased confidence in their approach.

A. The Subversive Threat

12. The North Korean regime has actively engaged in a program of subversion against the people and government in the South since the partition. Prior to the collapse of the Rhee government, this program consisted mostly of infiltrating political action agents and propaganda, primarily aimed at increasing South Korean dissatisfaction with economic malpractices and inaction, selfish political maneuvering, and the continued presence of foreign troops on Korean soil. Following the 1960 revolution in South Korea, the North Korean regime increased its efforts to infiltrate agents, particularly through Japan, and since that time, North Korean agents sent into South Korea have probably numbered about 200 to 250. Some of these were assigned the mission of subverting government officials, college students, and teachers.

13. In general, North Korean efforts to subvert the populace in the south appear to have had limited success. The Korean War left a deep anti-Communist conviction among most people in the south and the Rhee government was highly effective in detecting and arresting North Korean agents and their local accomplices. Although agents have recently been better trained and financed than those in the past, they have faced the same difficult task of blending in with the populace in a country into which there is almost no bona fide immigration or refugee flow. We believe that most of these agents have been seized. Since the May 1961 coup, there has been a lull in agent activity, probably reflecting some North Korean uncertainty regarding the prospects for subversion under the military junta now ruling in South Korea.

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B. Propaganda: The Unification Issue

14. The North Korean regime has had more success with its propaganda campaign urging unification of Korea. There is a strong desire for national unification among the Korean people on either side of the demilitarized zone. The North Korean regime exploits this nationalistic sentiment and plays on the desires for the restoration of family relationships and the renewal of traditional cultural and commercial contacts. In addition the regime stresses the opportunities that unification would provide for the integrated development of the country's economy.

15. The North Korean propaganda for unification is coupled with a constant demand for the departure of US and UN forces from Korea and the settlement of the unification problem by the Koreans themselves. According to Pyongyang, there can be no unification as long as there is "foreign interference" in South Korea. The North Korean regime has repeatedly denied the competence of the UN to deal with the Korean question and has rejected the concept of UN-supervised elections in Korea as a step toward unification. North Korea has proposed, at one time or another, all-Korea elections, development of north-south contacts, an international conference on the Korean question, and, most recently, a loose federation of North and South Korea. Under the federation scheme advanced by Kim Il-sung in late 1960, the two governments would retain their separate identities but, as a preliminary step toward unification, would appoint representatives to a Supreme National Committee to supervise expansion of cultural and economic cooperation.

16. The North Korean campaign for unification trades on the relative position of the two economies which are highly complementary. In recognition of this and the greater strength of the North Korean economy, the North Koreans have offered extensive trade relationships as a prelude to unification. Since November 1960, North Korea has elaborated a series of comprehensive proposals to reopen trade, grant economic aid to South Korea, and establish close economic and cultural relations. North Korea has proposed to provide vast quantities of electric power as well as to construct hydroelectric stations in South Korea; to build metallurgical, cement, machinery, and chemical fertilizer plants; to undertake broad irrigation projects, cancel all farmers' debts to their moneylenders, and to double the South Korean fish catch; to hire all unemployed South Korean college graduates, to enroll 4,000 South Korean college students in North Korean colleges, and to give financial assistance to 3,000 other South Korean students.

C. The Economic Contrast

17. The greater strength of the North Korean economy derives in large degree from the division of resources in the partition of the Korean peninsula in 1945. At that time, the North Korean regime acquired about two-thirds of existing heavy industry, including electric power, mining, and metallurgical industries. Along with these, the Communist authorities in the north fell heir to most of Korea's hydroelectric potential and mineral resources, including most of its iron ore and coal. By contrast, South Korea received about two-thirds of existing light industry and agriculture but almost no mineral resources except tungsten and a little coal.

18. Population factors have also favored North Korean economic growth. The initial imbalance of population, with the north having roughly one-third and the south approximately two-thirds, has been further increased by the pattern of subsequent population growth. The flight of refugees from North Korean oppressive policies held population growth during the period since World War II to less than 10 percent, relieving the difficulties of agricultural growth. During the same period, South Korea's population grew by more than 50 percent, eliminating its agricultural surplus and creating a deficit.

19. The economic policies of the two regimes have differed sharply: North Korea has been guided by an industry-first policy, as distinguished from the consumer-first orientation of South Korea. As a consequence, the rate of advance in North Korea has been much the greater, with its gross national product ap-

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proximately doubling since 1949, compared with an estimated increase of only about one-quarter in South Korea. Since 1954, the amount allocated to investment in North Korea has been roughly equivalent to one-third of gross national product whereas in South Korea this amount has been equivalent to less than 15 percent of gross national product.

20. From 1950 to 1960, the amount of economic grants and credits which the Communist Bloc declares it has provided North Korea is equivalent to approximately US $1.3 billion. The USSR has supplied about 50 percent, Communist China, 30 percent; the remainder has come from the European Satellites. An expanding commercial trade between North Korea and other members of the Bloc has steadily supplanted economic aid. In 1954, North Korean exports financed only about 13 percent of imports (including economic aid), but by 1960 exports financed 45 percent of imports. As a percent of gross national product the grants and credits received by North Korea dropped from a high of 33 percent in 1954 to about 3 percent in 1960. On the other hand, North Korea is completely dependent on imports of coking coal, petroleum, and rubber, and is deficient in raw cotton, machinery, and equipment.

21. In contrast to South Korea where overpopulation and underemployment represent major problems, North Korea has a shortage of labor, particularly skilled labor. To cope with this problem, the regime has made increasing use of female workers, using women in mining and metallurgical industries as well as in agriculture and light industry. In addition, the regime has occasionally employed soldiers to supplement the civilian labor force.

22. Given the great dissimilarities in economic resources and policies, price systems, and consumption patterns, it is difficult to compare the living standards in North and South Korea. Economic conditions are favorable to North Korea in some respects and to South Korea in others. In North Korea grain and housing are strictly rationed, but made available at cheap prices, while clothing and other consumer goods are sold at extremely high prices; in South Korea, where the prices are determined by the market, grain and housing are more expensive and other goods much cheaper. In South Korea the variety and quality of consumer goods is greater than that in the north, and the extremes between wealth and poverty are also greater. In neither South nor North Korea is the living standard for the bulk of the people significantly above the subsistence level.

D. The Military Threat

23. The North Korean military establishment is an effective, modern organization but given the present balance of forces in Korea it does not in itself pose a severe threat to South Korea. Without outside assistance, the North Korean armed forces are capable only of maintaining internal security and of conducting limited defensive and offensive operations. However, the introduction of Chinese Communist or Soviet forces would greatly increase North Korea's offensive and defensive capabilities.[2]

24. The North Korean Army, with an overall strength of 329,000, is slightly more than half the size of the combined South Korean Army and Marine Corps strength of 545,000. It is organized into 18 infantry divisions and one tank division. There are no known plans for an increase in the size of the North Korean Army and, as long as the regime continues to push its economic program, any increase is

[2] In areas near the Korean border, there are approximately 500,000 Chinese Communist troops (34 divisions) and about 100,000 Soviet troops (13 divisions). We estimate that as many as 17 Chinese divisions could be brought into place along the present demilitarized zone within 10 to 12 days. The Chinese Communist air and naval forces have approximately 1,950 aircraft based in the Northern, Northeastern and Eastern Air Defense Districts, including about 1,270 jet fighters and 420 jet light bombers. The Soviet air forces have just over 1,700 aircraft in its Far East and Transbaikal Military Districts consisting mainly of 850 jet fighters, 265 jet medium bombers (100 assigned to naval aviation), and 55 heavy bombers. In close proximity to Korean waters, the Soviet Far Eastern fleet has 88 submarines, 6 cruisers, and 52 destroyer types. The Chinese Communists have 25 submarines as well as coastal patrol forces.

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unlikely. The capabilities of the army have been increased, however, by reorganization and re-equipment with modern weapons. Its logistic capability has been largely restored since the armistice took effect in 1953. The North Korean Army's superiority in artillery and other combat support weapons partly offsets the South Korean Army's numerical superiority.

25. The North Korean Air Force as compared with the South Korean Air Force has fewer total personnel (16,000 as against 22,000), but three times as many pilots (900); it has two times as many aircraft of all types, including nearly three times the number of South Korean jet aircraft. Tactical components total 485 jet aircraft and include three fighter divisions, one attack/fighter division, and a light bomber division. Possessing an extensive air facilities system and a modern and effective radar network, the North Korean Air Force has a fair to good capability for ground attack, air defense, and interdiction. In view of the short distances involved, the North Korean Air Force has a substantial capability for launching a surprise attack on South Korean and UN military and logistic installations. The North Korean Navy, considerably smaller than the South Korean Navy, is little more than an inshore defense force with the mission of coastal patrol. Its most important function since the armistice has been to smuggle agents into South Korea.

E. Relative International Positions

26. Until recently, the North Korean regime was unrecognized outside the Sino-Soviet Bloc. In the past year, however, the regime has been actively seeking diplomatic contacts with non-Bloc countries. So far, three (Cuba, Guinea, and Mali) have recognized the North Korean regime and received North Korean ambassadors. Only Guinea has established a mission in Pyongyang. North Korea has placed trade missions in India and the United Arab Republic and signed trade agreements with Iraq, Yemen, and Austria. During the spring of this year, North Korea signed agreements with Burma and Indonesia for the establishment of consulates.

27. The recent signing of formal defense treaties with the USSR and Communist China probably was intended to give North Korea formal security guarantees and greater status both within and outside the Bloc. In addition, these treaties probably reflect a desire by Bloc leaders to present North Korea as a fully developed and independent state, having an international status comparable to South Korea. Although North Korea's efforts to extend its international ties have not yet had widespread impact, the regime has succeeded in blurring South Korea's claim to be the only legitimate representative of the Korean people. Many countries, particularly the newer ones, hesitate to recognize either Korean regime, whether from indifference or from desire to avoid cold war entanglements. This in turn has adversely affected South Korea's standing with the UN.

III. PROBLEMS AND PROSPECTS FOR SOUTH KOREA

A. Political Stability

28. *The Situation in the Junta.* The military junta that seized control in May 1961, ousting Chang Myon and bringing the Second Republic to a sudden end, was composed of generals and field grade officers, some of North Korean origin and some from the south. Motivated largely by a sense of disgust and frustration with the corruption and graft in government and the upper ranks of the armed services, the more junior officers were active in the planning and execution of the coup under the leadership of Lt. General Pak Chong-hui. A number of the general officers joined the coup group after much of the initial planning had been completed and were motivated to do so by personal ambition as well as a desire to reform. However, common to the members of the junta was an intensely nationalistic concern over the uncertain direction of the Chang Myon government and its alleged softness toward communism. They regarded the experiment with parliamentary government as a failure and were determined to give South Korea the executive control and impetus missing under Chang Myon. However, there was little consensus on the methods

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and extent of reform necessary to achieve these goals.

29. The internal power structure of the junta has altered since May, but a basic problem of control and authority remains. Lt. General Pak Chong-hui is the dominant figure. Colonel Kim Chong-pil, head of the central intelligence bureau, is the second strongest man in the group and has so far worked in concert with Pak. Several members of the original group—most notably its original front man, Lt. General Chang To-yong—have been ousted. The most serious potential source of division in the junta lies in the more radical and extreme outlook of the junta's younger members.

30. Since the coup, this group has pressed the hardest for punitive action against civilians and military officers accused of corruption and has been the least willing to move toward return of the government to civilian control. Its hardnosed attitude has been reflected in its suspicion and distrust of US motives in South Korea and in the initial difficulties in restoring fully the US-Korean military relationships existing before the coup. As Pak has been drawn by South Korea's dependence upon the US toward closer relations with US authorities in Korea, it is possible that some members of the colonels group have become suspicious of his dedication to the objectives of the coup and of his own ultimate ambitions.

31. There will probably continue to be factional shifts and maneuvering within the junta as various groups vie for influence and as Pak strives to consolidate and extend his power. As long as political and economic pressures on the junta do not become too great, Pak and the other junta members will probably be able to prevent their internal frictions from breaking out into open conflict. However, if the leadership began to encounter serious public resistance to its policies and public law and order started to disintegrate, the divisive forces within the group would probably cause it to fall apart. At that point, the various faction leaders might appeal to their supporters in the South Korean armed forces for help and armed clashes between different camps could result.

32. The junta has stated that it does not plan to return the government to civilian control until after corrupt and selfish elements have been removed. The time of the transfer is now scheduled for the summer of 1963, following the adoption of a new constitution and general elections earlier in that year. To prepare for the elections, political parties will be allowed to resume activities in early 1963, although "corrupt and evil" politicians will be prohibited from participating. The junta plans to return to the presidential system and unicameral legislature that characterized the Rhee government.

33. The Korean public has reacted to this schedule with disappointment and skepticism. From the junta's point of view, the date is sufficiently far in the future to be easily changed if political or economic developments over the next two years so warrant. We believe it is highly unlikely that the junta would of its own accord advance the date of transfer and the odds are only even that the 1963 schedule will be met. If the junta appeared unlikely to meet this schedule, highly adverse public reaction would probably result. The junta may attempt to avert this difficulty and guarantee its control through such means as forming its own political party and running military or ex-military officers for political office. In any event, 1963 promises to be a critical year, with the possibility of serious turmoil over the formulation of a new constitution and the holding of elections.

34. *The Junta and the People.* The coup initially received some welcome from many Koreans who had grown impatient with the apparent inability of the politicians in Parliament to forego the game of politics and settle down to Korea's urgent economic and political problems. However, public disenchantment with the new regime has appeared in the cities and is spreading in the rural areas, although a favorable attitude can still be found among many farmers. The authoritarianism and resort to police rule have adversely affected the junta's standing among intellectuals and students, many of whom regard the military junta as little better than the Rhee regime they overthrew.

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35. The junta has made full use of its powers under martial law to close newspapers, jail politicians, educators, and businessmen, and impose curfews and censorship. The atmosphere of fear and intimidation thus created has so far prevented demonstrations of public opposition to the junta. The junta's actions against potential opposition leaders has greatly reduced the chances for organized resistance. Student groups probably represent the most significant potential opposition to the junta, although there has not yet been any serious effort among the students to organize. A student-led uprising is not likely as long as the junta appears to be unified and determined to suppress antiregime activity.

36. All official proclamations by the junta have stressed the anti-Communist nature of its objectives. As part of its aims, the junta has passed a stringent anti-Communist law under which the government can take rapid and forceful action against those it considers to be Communist or Communist influenced. Moreover, the junta has centralized and strengthened the counterintelligence machinery of the government, under the direction of Colonel Kim Chong-pil, and has demonstrated its readiness to arrest persons, high and low, for "antistate" activities.

37. It is likely that one reason for the junta's exaggerated expressions of concern regarding Communist penetration—which has resulted, for example, in charging ex-Premier Chang Myon, South Korea's leading Catholic layman, with being pro-Communist—is to convince the Korean people that the coup d'etat was justified. Generally speaking, the people of South Korea are strongly disposed against communism. Over two million refugees fled from North Korea before and during the Korean War and most adults in South Korea remember their exposure to Communist invasion and occupation. However, if increasingly widespread unemployment were accompanied by mounting inflation, food shortages, and general economic disintegration, the South Koreans would become more vulnerable to unification propaganda which promised material and economic improvement.

38. Over the past year or so, there has been a slight increase in South Korean sentiment favoring a new look at the unification problem. Some of this grew out of the resurgence of Korean nationalism resulting from the nation's experience in overthrowing the Rhee government and the new freedom of political discussion. Elements of younger, educated Korean groups who have matured in the last few years have especially been attracted to the idea that unification, with all its potential benefits, can somehow be achieved in an antiseptic, nonpolitical way. Even the military junta felt called upon to include preparing the south for unification as one of its six announced goals. However, barring complete collapse of organized government and accompanying economic chaos, we do not believe that the South Korean people will give active consideration to unification on Pyongyang's terms or become significantly more susceptible to Communist subversion in the next two or three years.

B. Economic Development

39. South Korea's economic situation at the time of the coup was shaky and it has not improved. Unemployment has increased, the banking system is in turmoil, traditional credit mechanisms in the rural areas have been disrupted, and the business community is fearful of the junta's aims and reluctant to invest in an uncertain future. Many businessmen have been arrested on charges of illegal accumulation of wealth through tax evasion, misuse of bank loans, and political kickbacks. Most of these have been released, but are still subject to confiscatory back payments and penalties. These moves against businessmen and a decree limiting interest rates on loans to 20 percent per year have resulted in industrial, commercial, and financial stagnation. The lowered business activity following the May 1961 coup is much worse than that which came after the April 1960 revolution and may be the most severe since the founding of the Republic. Although the coup and subsequent actions of the military junta are by no means the sole cause of the present economic crisis in South Korea, it is the junta that now must provide the national leadership to deal with it.

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40. General Pak and the other leaders of the junta came to power with meager comprehension of the complexity and magnitude of South Korea's economic problems. They have quickly become aware of the political importance of economic progress, however, and are now showing signs of coming to grips with the necessary planning and decisions. Military personnel initially placed in government posts dealing with economic matters are being replaced by more knowledgeable civilians. Civilian ministers have been appointed to head the two key economic ministries. A superministry, known as the Office of Economic Planning, has been created under a civilian director holding rank in the government as Vice Premier.

41. The economic problems that the junta faces are the ones that have long plagued South Korea, seriously compounded by two successive years of national turbulence. There is little the military government can do to make up for South Korea's basic shortage of all resources except manpower. Although the economic situation in South Korea is grim, it is not hopeless. The junta is able to pursue its announced program of using outside aid effectively without acceding to the pressures of the legislative and special groups that harassed the previous government. Much depends on the weather and continued good harvests of rice and summer grains. These, plus uninterrupted US economic assistance and some increase in business activity, will probably prevent economic collapse.

42. Even under the most favorable circumstances, progress will be slow. Almost insuperable obstacles will prevent South Korea from achieving a self-supporting economy in the foreseeable future. Unification of the peninsula, permitting a more equitable distribution of the people and utilization of resources, would greatly improve the economic position of the country as a whole, but this also is highly unlikely at any time in the foreseeable future. Korea's economic prospects would undoubtedly improve with a reduction in military forces and a consequent redirection of available resources, but there is little likelihood that the junta will undertake substantial reductions in the near future.[3] Other domestic alternatives available are an austerity program to increase forced savings or a general increase in productivity, or both. However, a marked increase in productivity can be realized only after continued effort and investment combined with a disciplined austerity program over a long period. In sum, the most likely prospect is that South Korea will continue to require large-scale foreign aid into the indefinite future if it is to exist as an independent nation allied with the West.

C. Military Readiness

43. Supported by US military aid, South Korea continues to maintain the world's fifth largest military establishment. The previous government had initiated steps to reduce the army's size somewhat and was planning to invest the funds saved thereby in economic development. The junta has yet to spell out its military policies, but its early actions suggest that it will not proceed with the reductions proposed by the previous administration. The junta has, however, forced the retirement of about 50 flag and general officers, mostly on the basis of ineffectiveness, and has separated more than a thousand junior officers for incompetence or corruption. The combat efficiency of the armed forces may suffer temporarily by the turnover in personnel but morale among those remaining on duty will probably rise as the

[3] The Director of Intelligence and Research, Department of State, believes that this paragraph forecloses too firmly (fourth sentence) the possibility that the junta may consider substantial reductions in military forces in the near future. There is no evidence to date that the junta is committed to retaining its military forces at their present levels, while there is considerable evidence of its commitment to adopt measures that would improve South Korea's economic prospects. Although the question of a reduction of force levels would probably present a difficult conflict of interest for the junta, the Director believes that the junta might undertake reductions if it were convinced that to do so would promise substantial economic benefit without undue jeopardy to South Korea's security. Moreover, the junta has indicated its desire to raise military pay levels; and if additional US aid for this purpose is not forthcoming, reduction in force levels may appear as a possible alternative means to this end.

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junta takes advantage of the promotion opportunities it has created.

44. The South Korean armed forces total about 583,000. The army has about 520,000 officers and men organized into 2 field armies, 5 corps, and 18 infantry divisions. Despite logistic shortcomings and inadequate antiaircraft defenses, the army is well equipped, well trained, and combat ready. The air force, with 22,000 personnel, has 282 aircraft, over half of them F–86 jet fighter-bombers, and about 370 trained pilots. The air force has a good capability for close-support and interdiction but has only a fair capability for air defense under visual flight conditions. The navy has 55 escort, patrol, mine warfare, and amphibious ships. While it maintains a limited mine warfare and amphibious capability, the navy's present primary mission is coastal surveillance and patrol. The marine corps, with about 25,000 men, is trained in the techniques of amphibious assault with a regimental landing team. In addition, UN ground forces in South Korea total 49,000.

45. South Korean armed forces, which have the support of two US Army divisions now in position, could contain a North Korean attack on the northern boundary. In view of North Korea's limited offensive capability, however, we believe that the Communists would supplement North Korean forces with Chinese or Soviet forces in such an attack. In this event South Korea would require prompt and extensive US reinforcement for adequate defense.

46. The early actions of the military junta upset relations with the UN Command in Korea and resulted in a considerable compromise of CINCUNC operational authority. The junta has since accepted the principle of the subordination of the South Korean armed forces to the UN Command. However, their willingness to implement fully agreements on the command structure cannot yet be taken for granted. The junta probably intends to maintain a larger degree of independence in its command of South Korean forces, at least in peace time. Moreover, the military type of organization and subordination within the junta and its relationships within the armed services in effect establishes a chain of command separate from the UN Command. This increases the danger that complete obedience to CINCUNC authority will not occur under all military exigencies.

D. Foreign Relations

47. After an initial period of preoccupation with domestic affairs to the exclusion of international considerations, the military junta has begun to show concern for its image abroad. It has dispatched goodwill teams to some fifty states. It has nominated a new envoy to Japan and indicated its willingness to reopen the negotiations underway before the coup. It has announced its support for the present UN formula on unification. And the junta leadership has begun efforts consciously designed to better its relations with the US.

48. The Chang Myon government was interested in improving relations with Japan but was hampered by the often violent criticism of its steps by anti-Japanese elements in the press and in Parliament. The junta, on the other hand, is less influenced by criticism and has shown a growing understanding of the desirability of coming to terms with Japan. For its part, the Ikeda government is disposed to go slow until the military junta has stabilized its position and established sound relations with the US. Nevertheless, some improvement in Korean-Japanese relations may be forthcoming, particularly if the deteriorating economic situation in South Korea causes the junta to soften previous Korean stands on wartime compensation claims and fishing rights in return for Japanese economic assistance.

49. With the assumption of power by the junta, US relations with South Korea entered a new phase. At least initially, suspicion and distrust marked the attitude of many junta members toward the US. General Pak, however, no longer holds himself apart from US authorities in Seoul and has recently requested and received a personal US advisor on economic matters. The junta leadership is fully aware of Korean dependence upon the US and is seeking a relationship with the US which will not endanger South Korea's major source

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of economic, military, and diplomatic support. At the same time, however, the junta leaders probably intend to develop a relationship which reflects their desire for full control of Korean affairs. Although the junta will probably be generally cooperative in matters affecting the economy, it will be less responsive to US advice on political and military matters, particularly if it interprets such advice as incompatible with its immediate interests.

IV. THE OUTLOOK FOR KOREA

50. The North Korean regime of Kim Il-sung is stable, well entrenched, and energetic. It faces no serious internal opposition and is probably accepted, if not enthusiastically supported, by most of the North Korean people. It will probably continue to concentrate, with some success, in building up its economy and may be able to effect a substantial increase in North Korean living standards in the next few years. It will continue to seek ways to undermine governmental authority in South Korea, employing every trick of subversion, propaganda, and political maneuver at its command. Although it probably does not expect to realize its goal of unification in the near future, the regime probably is preparing to exploit a collapse of authority, law, and order in South Korea, if it should occur.

51. North Korea is not likely to resort to armed action against South Korea in the foreseeable future. North Korea almost certainly would not undertake such action without the support of both the USSR and Communist China. We believe that the USSR, recognizing that the reopening of hostilities in Korea would automatically involve US military forces, would be concerned over the difficulty of controlling the risks of such a conflict. At the same time, the Communists probably regard as promising the long-term prospects for fomenting disaffection and spreading subversion among the South Korean people. We therefore believe it unlikely that the Communists will risk reopening hostilities in Korea over the next several years.

52. Over the short term, North Korea's subversive threat as such is probably not great. After more than a decade of operating against South Korea, Pyongyang still does not possess an effective organization in South Korea. The vigorous anti-Communist measures of South Korean governments have played an important part in this. But more importantly, the people of South Korea have so far proved remarkably impervious to the solicitations and urgings from the north. Although much will hinge on the future development of relations between the junta and the people, we do not anticipate an early change in the attitude of South Koreans toward the Communists.

53. However, the economic accomplishments of the North Korean regime and its propaganda proposals may in time exert considerable influence in the south. With help from the USSR and other members of the Bloc, the North Korean regime probably could in fact make good on most of its offers of economic assistance to South Korea. North Korea has the electricity and is capable of constructing the plants, provided the heavy generating equipment and other machinery were supplied by the Bloc. In particular, the offer to give financial assistance to students and to employ idle college graduates strikes a very sensitive part of South Korean society. If the South Korean Government, together with US aid, can keep the economy going, the impact of the North Korean claims and accomplishments will be blunted. However, the margin of safety probably is small.

54. In sum, the greatest threat to South Korea, at least in the near term, does not come from North Korea. It comes, instead, from within South Korea itself: from the country's shaky economy and its almost perpetual state of crisis; from the unresolved political questions that arise out of the leadership's demand for authority versus the people's desire for self-expression and freedom; from the lack of social cohesion and effective institutions for economic development; and finally, from the people's capacity for revolt once their patience has been pushed to its limit. The South Koreans have so far developed no clear sense of national direction and purpose. It is this lack of national purpose which makes dangerous the variety of Communist appeals for unification on Communist terms and their

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offers of economic and cultural cooperation. A strong, cohesive ideology is being matched against a virtual ideological vacuum.

55. The prospect for South Korea over the next few years is therefore very cloudy and uncertain. As serious as the economic situation is, it will probably not be the most significant cause of future difficulties. US aid will probably be able to keep the economy going. It is in the political arena that the greatest danger lies. The present government has not yet gained any great measure of public support. The students have been quiet so far, intimidated by the junta's readiness to show the mailed fist; this quiescence probably will not continue long. The army is not united in its attitude toward the junta and will remain an important potential source of anti-junta strength. The political situation is brittle and it would probably not take much provocation to precipitate another major crisis in Korea.

56. Such a major crisis, if it occurred, could take any one of a variety of forms, ranging from a drastic change in the membership of the military junta to a new popular uprising. One thing seems fairly clear; both the South Korean people and the leadership face many disappointments, frustrations, and failures in the years ahead. In such a situation, the desire for economic progress and for an end to hopeless temporizing, rising interest in unification, and continued enticements offered by the North Korean regime could lead to some movement in the south toward an accommodation with the north.

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KOREA
International boundary
National capital
Railroad
Road
Spot height (in feet)
3303
0 25 50 75
Statute Miles
0 25 50 75
Kilometers
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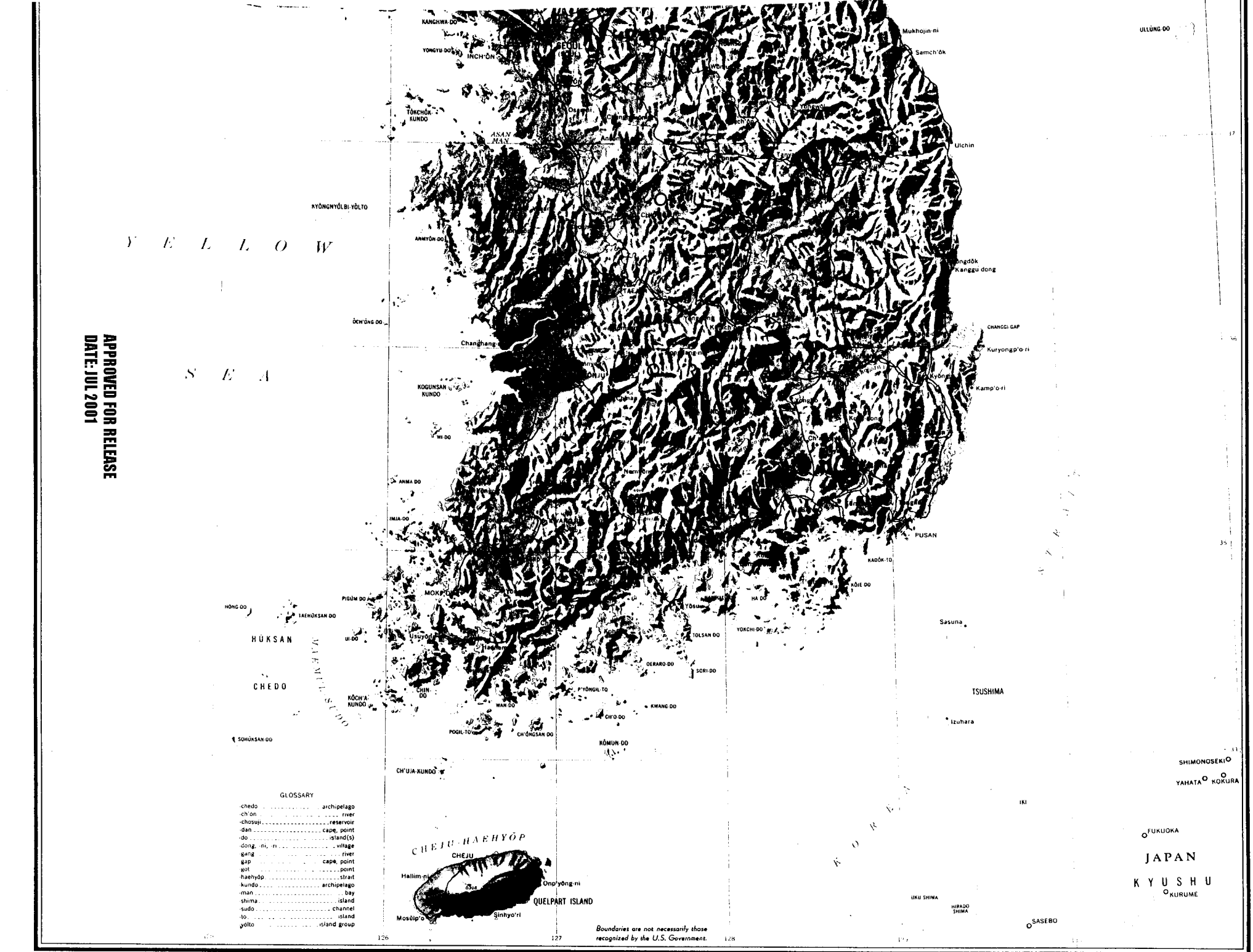
CHINA
CHINA
U. S. S. R.
KRASKINO
Hua-t'en
An-t'u (Weng sheng la-tzu)
Pai-ts'ao-kou (Wang-ch'ing)
Yen-chi
T'u-men
Hun-ch'un
T'ou-tao-kou
Yen-chi hsien (Lung-ching ts'un)
Ho-lung (San-tao-kou)
Chung-yu (Meng-chiang)
Fu-sung
Lin-chiang
Chunggangjin
CH'ŎNGJIN
Yŏngsŏng
Ch'ang-pai
Ch'i-an
Kuan-tien
MUSU DAN
SONGJIN (KIMCH'AEK)
Tanch'ŏn
AN TUNG
Ŭiju
Sinŭiju
Pinyŏn
Sinp'o
MAYANG DO
HŬNGNAM
SINMI DO
KA DO
SŎJOSŎN MAN
TONGJOSŎN MAN
TAEGANG-DOT
HANGNYONG DAN
S E A
O F



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